## Message Text

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R 150900Z JUN 77 FM AMEMBASSY CAIRO TO SECSTATE WASHDC 6164 INFO AMEMBASSY TEL AVIV

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EO 11652: NA

TAGS: ECON, EDEV, EG

SUBJ: TUNNELS UNDER SUEZ CANAL

. PRES SADAT'S TRIP TO THE SUEZ CANAL GOVERNORATE OVER PAST TWO WEEKS HIGHLIGHTED EGYPTIAN INTENTION TO GO AHEAD WITH PLANS ANNOUNCED IN 1974 FOR CONSTRUCTION OF THREE TUNNELS UNDER SUEZ CANAL. ON JUNE 6 IN SUEZ CITY, SADAT INAUGURATED CONSTRUCTION OF AL-SHATT (AKA MARTYR AHMAD HAMDY) TUNNEL WHICH IS BEING DUG BY JOINT VENTURE COMPANY OSMAC COMPOSED OF OSMAN AHMAD OSMAN'S ARAB CONTRACTORS AND TARMAC, A BRITISH FIRM. WORK ON TUNNEL WAS, WE UNDERSTAND, PREVIOUSLY BEGUN, THEN STOPPED BECUASE COMPANY AND MIN OF HOUSING AND RECONSTRUCTION HAD FALLING OUT OVER MINISTRY'S NON PAYMENT OF FEES AND EXPENSES. PROJECT IS JUST GETTING STARTED AGAIN. BRITISH COMPANY REPORTEDLY USING EXPENSIVE MODERAN EQUIPMENT AND PLANS CONSTRUCTION ON TWENTY FOUR HOUR WORKDAY TO ENABLE COMPLETION OF TUNNEL BY MID 79; IN EFFORT TO REDUCE COST OF USE OF EQUIPMENT.

2. HASSIB ALLAH AL-KAFRAWI, RECENTLY APPOINTED ADVISOR TO PM FOR RECONSTRUCTION AND NEW CITIES DEVELOPMENT, IS IN CHARGE OF COMPLETION OF TUNNELS. KAFRAWI TOLD EMBOFF LIMITED OFFICIAL USE

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RECENTLY THAT SADAT'S INTEREST IN TUNNELS WAS HEIGHTENED DURING PREPARATIONS FOR VISIT TO CANAL. PRESIDENT DESIRES TO SPEED UP DEVELOPMENT OF THOSE PORTIONS OF SINAI WHICH HAVE BEEN RETURNED TO EGYPT UNDER SINAI I AND II DISENGAGEMENT AGREEMENTS. PRESIDENT VIEWS AS FIRST MAJOR STEP COMPLETION OF THE THREE TUNNELS IN ORDER TO REGULARIZE INTERCHANGE BETWEEN EGYPT PROPER AND SINAI. SADAT PLANS FOR SINAI CALL FOR NEW

CITIES AND AGRICULTURAL RESEARCH STATIONS TO AID DEVELOPMENT OF AREA.

3. NEXT TUNNEL TO BE DUG WILL BE ONE PLANNED FOR QANTARA, JUST SOUTH OF PORT SAID, BRITISH, FRENCH AND AUSTRIAN FIRMS, ACCORDING TO KAFRAWI, ARE CURRENTLY COMPETING FOR CONTRACT, AGAIN IN CONJUNCTION WITH ARAB CONTRACTORS. AUSTRIANS SEEM TO HAVE ADVANTAGE BECAUSE THEY APPARENTLY ARE OFFERING TO DO SOME OF WORK UNDER ECONOMIC ASSISTANCE AGREEMENT. COMPLETION OF THIS TUNNEL WILL BE IN LATE 79 INSTEAD OF 1980 AS ORIGINALLY PLANNED.

4. SITE FOR MIDDLE TUNNEL, PLANNED FOR SEVERSOIR, HAS NOT YET BEEN FINALLY DETERMINED. REMOTE SENSING SURVEY OF AREA (PERFORMED BY OKLAHOMA STATE UNIV REMOTE SENSING PROJECT IN 1975) SHOWED THAT PLANNED PLACEMENT OF TUNNEL WAS COINCIDENT WITH FAULT AT ENTRACE TO BITTER LAKES.

5. COMMENT: KAFRAWI DESCRIBED TUNNELS AS HIS FIRST MAJOR RESPONSIBILITY. ONCE COMPLETED, HE EXPECTS TO BE GIVE JOB OF DEVELOPMENT OF SINAI IN ADDITION TO HIS OVERSEEING CONSTRUCTION OF NEW URBAN CENTERS AND CORRESPONDING INFRASTRUCTURE.

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